

ASX Release

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ABN 17 106 806 884

105-106 Greenhill Road
Unley SA 5061

T: +61 8 8274 5000

F: + 61 8 8272 8141

W: www.petratherm.com.au/

E: admin@petratherm.com.au



PETRATHERM LIMITED
ABN 17 106 806 884

Spanish Projects Update

Tenerife Volcanic Geothermal Project

MT Survey completed and JV discussions advance

Petratherm España has three Geothermal Exploration Licenses (GELs) on Tenerife, the largest of seven islands in this Spanish archipelago off the west coast of North Africa. Petratherm España has completed an extensive magneto-telluric (MT) survey across the volcanic island of Tenerife in Spain's Canary Islands to pinpoint potential locations for a deep test well site.

International specialist Geosystems is now undertaking 3D inversion modeling of the data recorded earlier this year. The information will be interpreted by Sinclair Knight Mertz geothermal division to ascertain potential sites for drill testing.

The Company is currently in advanced discussions with an interested potential joint venture party to part fund the subsequent planned deep drilling program.

Conventional volcanic based geothermal power

The Canary Islands, known for their volcanism, are considered excellent sites for exploiting conventional geothermal technology. Conventional geothermal projects are commercially established in many parts of the world accounting for more than 10,000 MW of installed power generation capacity, more than three times South Australia's peak demand.

Typical temperatures encountered are around 250°C to 300°C at relatively shallow depths of 2 or 3 kilometres, resulting in wells producing high output ranging between 7 MW and 15 MW.

Madrid District Heating Project

Petratherm España is advancing its 8 MW Madrid District Heating project under the Cooperative Agreement with the Spanish and Madrid regional governments. Discussions with the government representatives have centered on the off-take agreements to supply the government owned buildings that are to be customers of the project and also on the availability of various energy efficiency subsidies that are potentially available to the project.

Petratherm's Madrid GDH project has been highlighted as one of six renewable energy projects of interest within the Madrid Regional Government's Renewable Energy Cluster, which is seeking to advance renewable energy projects in the Madrid region. Joint venture discussions have also commenced with a large Spanish utility.

The Madrid GDH project is planned to be the first application of geothermal district heating in the Madrid region and will seek to provide a foundation to expand such applications across Petratherm's large tenement north of the city.

Barcelona

In Barcelona, Petratherm is also conducting ongoing discussions regarding joint venture arrangements for its four geothermal investigation permits covering areas within the Valles and Ebro Basins. The permit areas are located approximately 30 kilometres north-northeast of Barcelona and in close proximity to major electricity transmission infrastructure with a capacity in excess of 2,000 MW.

Regulatory and Market

Petratherm España's Manager, Mr. Raul Hidalgo in his capacity as president of the Geothermal Chapter of the Renewable Energy Generators of Spain is contributing to two key areas of work with the Spanish Federal Government, that include

- Recommendations on "feed in tariffs" to apply for various geothermal energy technologies, and;
- An independent study by Sinclair Knight Merz into "the potential for geothermal energy in Spain"

Results of that work are expected in the first half of calendar 2010.

Yours faithfully



Terry Kallis
Managing Director

MEDIA CONTACTS:

Terry Kallis
Kieran Hall / Tim Hughes

Petratherm Ltd
Hughes Public Relations

08 8274 5000
08 8412 4100